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Financial Regulator Assumes Control of Bankrupt Grupo Financiero Abaco

by LADB Staff

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In late August, the Comision Nacional Bancaria y de Valores (CNBV) assumed control of the financially troubled Abaco Grupo Financiero. The intervention authorized the CNBV to take over all of the group's subsidiaries. As part of the intervention, the CNBV approved US-based Citibank's acquisition of 100% ownership of Banca Confia. As a result, Citibank acquired all of the bank's liabilities and assets, including its portfolio. Citibank gained US\$45 million in deposits in Banca Confia, and it also agreed to inject US\$200 million in the bank. According to CNBV statistics, Confia held a 4% share of Mexico's banking market, with 200 branch offices in 29 states and Mexico City.

Acquisition expands Citibank's operations

Citibank officials said the transaction gives it an opportunity to expand its operations to small and medium-sized depositors, since most of its clients have been corporations and other large-scale customers. "Citibank has an opportunity to grow as a local bank in Mexico," said Julio A. de Quesada, Citibank Mexico chairman. According to De Quesada, Citibank, which has operated in Mexico since 1929, plans to retain Confia's name at the retail branches and will manage Confia as a separate entity from Citibank Mexico during a transition period. Citibank is the first US-based institution to acquire a Mexican bank, although Canadian-based Bank of Nova Scotia and Spain's Banco Bilbao Vizcaya acquired partial shares in Mexican institutions during 1996 (see SourceMex, 02/21/96 and 07/10/96).

According to statistics from the Asociacion de Banqueros de Mexico (ABM), with the Citibank purchase of Confia, foreign banks' share of the Mexican market is now between 17% and 18%. In addition to gaining control of Confia, Citibank also assumed full control of Abaco subsidiary Abasis and a 51% share in joint venture Abamotriz. Abasis is a computer and technical operation, while Abamotriz is an automobile leasing company operated jointly with a subsidiary of General Motors Corp.

CNBV looks for buyers for three other Abaco assets

The CNBV will retain control of the remaining Abaco properties brokerage company Casa de Bolsa Abaco, the retirement savings plan Confia-Principal, and the insurance company Abaseguros until new buyers can be found. Financial sources said the CNBV intervention is also intended to protect Citibank against legal liability for any fraud committed by Abaco's previous owners. Investors have filed dozens of lawsuits seeking compensation for investments that Abaco is alleged to have mismanaged.

According to the lawsuits, former Abaco owner Jorge Lankenau defrauded some 200 investors of an estimated US\$170 million, which was placed in an offshore fund. Authorities have placed Lankenau under house arrest pending full investigation of the accusations. (Sources: Reuter, 08/26/97, 08/27/97; Associated Press, 08/27/97, 08/28/97; La Jornada, 08/28/97; Excelsior, 08/14/97, 08/28/97, 08/29/97;

Novedades, 08/28/97, 08/29/97; El Nacional, 08/29/97; The News, 08/14/97, 08/28/97, 08/29/97,
09/03/97; El Universal, 08/14/97, 08/28/97, 09/02/97, 09/03/97; El Economista, 08/27- 29/97, 09/03/97)

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